

# **HRM PRACTICES AND ORGANIZATIONAL COMMITMENT: A CASE STUDY OF OIL AND GAS COMPANIES IN MALAYSIA**

A project submitted to the Othman Yeop Abdullah Graduate School of Business, College of Business, Universiti Utara Malaysia in fulfillment of the requirements for the degree Master of Human Resource Management.

By:

**MOHAMAD NIEKMAT B. ARIFFIN**

Matrik No: 804545

## **PERMISION TO USE**

In presenting this project paper in partial fulfillment of the requirements for a Masters degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any copying or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

Dean

Othman Yeop Abdullah Graduate School of Business

College of Business

Universiti Utara Malaysia (UUM)

06010 Sintok

Kedah Darul Aman

## **ABSTRACT**

Employees are the important to every organisation. Managing the employees are the crucial practice to improve their good feeling towards the organization. This study attempts to examine the linkage between HRM practice and organizational commitment among the employees in Oil and Gas Companies in Malaysia. Two main oil and gas companies were selected as the selected institutes to be studied. The shared service employees from both companies were treated as the respondents. The respondents were randomly selected from the companies based on the culculation of respondents selection. 400 questionnaire were sent to the respondents. Data were collected using structured questionnaire adopted from previous study and were analysed using computerised statistical tools, known as SPSS version 18.0. Results indicated that there were no significant differences in the level of organizational commitment among employees according to their demographic background. Organizational commitment were found to have significant association with all HRM practices studied. Almost 60 percent of organizational commitment were expalined by HRM practices. Performance appraisal was the important variable to measure organizational commitment. Suggestions were made at the end of the study to enhance the level of organizational commitment among employees, ecspecially in Oil and Gas Companies. This study had succesfully described the nature of HRM Practices and organizational commitment among employees in oil and gas companies in Malaysia and can be important reference in the future.

## **ABSTRAK**

Pekerja merupakan sumber yang amat penting kepada setiap organisasi. Amalan pengurusan kepada pekerja penting kerana ia akan meningkatkan perasaan yang positif kepada organisasi. Kajian ini akan mengkaji perhubungan antara Amalan Pengurusan Sumber Manusia dan komitmen organisasi dalam kalangan pekerja di syarikat minyak dan gas di Malaysia. Dua syarikat minyak dan gas utama di Malaysia telah dipilih. Pekerja perkhidmatan di kedua-dua syarikat merupakan responden dalam kajian ini. Responden kajian dipilih secara rawak bebas berdasarkan kiraan sampel kajian dari kedua-dua syarikat. 400 soal selidik telah dihantar kepada para responden. Data diperolehi menggunakan soal selidik berstruktur yang diadaptasi dari kajian-kajian yang lepas dan diproses, diurus serta dianalisis menggunakan program komputer dikenali sebagai SPSS versi 18.0. Hasil kajian menunjukkan bahawa tidak wujud sebarang perbezaan dalam komitmen organisasi antara pekerja mengikut latarbelakang mereka. Kajian turut mendapati bahawa terdapat hubungan yang signifikan antara amalan pengurusan sumber manusia dengan komitmen organisasi. Lebih 60 peratus komitmen organisasi adalah dipengaruhi oleh amalan pengurusan sumber manusia. Di akhir laporan, cadangan-cadangan yang berkaitan telah diberikan bagi meningkat tahap komitmen organisasi dalam kalangan pekerja, terutamanya dalam syarikat minyak dan gas. Kajian ini telah memberikan gambaran mengenai amalan pengurusan sumber manusia dan komitmen organisasi dalam kalangan pekerja di syarikat minyak dan gas di Malaysia dan akan menjadi rujukan yang penting pada masa hadapan.

## **ACKNOWLEDGEMENT**

First and foremost, thank you Allah s.w.t for providing me with guidance, perseverance, opportunity and source of the mental and physical strength to complete this research.

A bottomless appreciation to my parents, Hajjah Nasriah Bt Abd Karim and Haji Ariffin Bin Hj. Mat and my 3 brothers for without their endless motivation and never ending love, I would never have flourished until this stage. I would like to extend a special thanks to friends and colleagues whom have encouraged and contributed valuable ideas and strategies through out the development process till the completion of this research.

To all Petronas Human Resource Shared Services Centre and Shell Business Service Centre management and staffs, thank you for your cooperation and assistance during the data collection process. To my role models, Mr. Kamarul Bahrien and Mr. Abdul Malek Mohd. Nor thank you for convincing me that learning is a never ending process and work commitment will lead you to life success. I have learned a great deal in term of work ethics, pride and career commitment from these very best.

I would like to express special appreciation to my research supervisor, Associate Professor Dr. Khulida Kirana Yahya who is always there to give her advice, direction, encouragement and partaking generous amount of time throughout the process of completing this research. It is a privilege and opportunity to acquire from someone who is professional, caring and reassuring like her.

## TABLE OF CONTENTS

	<b>PAGE</b>
<i>Permission to Use</i>	<i>ii</i>
<i>Abstract</i>	<i>iii</i>
<i>Abstrak</i>	<i>iv</i>
<i>Acknowledgement</i>	<i>v</i>
<i>Table of Content</i>	<i>vi</i>
<i>List of Table</i>	<i>viii</i>
<b>CHAPTER 1: INTRODUCTION</b>	<b>1</b>
1.1 Introduction	1
1.2 Background of the Study	1
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	5
1.6 Significant of the Study	5
1.6.1 To the researcher	6
1.6.2 To the organization	6
1.6.3 To the employee	6
1.7 Organization of the Chapters	6
1.7 Chapter Summary	7
<b>CHAPTER 2: LITERATURE REVIEW</b>	<b>8</b>
2.1 Introduction	8
2.2 Organizational Commitment	8
2.2.1 Affective Commitment	11
2.2.2 Normative Commitment	13
2.2.3 Continuance Commitment	14
2.3 HRM Practices	16
2.4 The Dimensions of HRM Practices	19
2.4.1 Training and Development	22
2.4.2 Career Development	23
2.4.3 Salary and Benefits	26
2.4.4 Performance Appraisal	28
2.5 HRM Practices and Organizational Commitment	31
2.6 Research Framework	34
2.7 Summary	35
<b>CHAPTER 3: METHOD</b>	<b>36</b>
3.1 Introduction	36
3.2 Research Design	36
3.3 Population and Sampling	37
3.4 Survey Material	39
3.5 Operational Definition and Measurement	40

---

3.5.1 <i>Organizational Commitment</i>	40
3.5.2 <i>HRM Practices</i>	42
3.6 Data Collecting Procedure	47
3.7 Data Analysis	48
3.8 Summary	49
 <b>CHAPTER 4: FINDINGS</b>	 <b>50</b>
4.1 Introduction	50
4.2 Background of the Respondents	50
4.3 Reliability Analysis	52
4.4 Descriptive Analysis	53
4.4.1 <i>Organizational Commitment</i>	54
4.4.2 <i>HRM Practices</i>	55
4.5 Organizational Commitment and Demographic Variables	56
4.5.1 <i>Gender</i>	56
4.5.2 <i>Age</i>	56
4.5.3 <i>Academic Qualification</i>	57
4.5.4 <i>Work Experience</i>	58
4.5.5 <i>Position</i>	59
4.6 Correlation Analysis	60
4.6.1 <i>Organizational Commitment</i>	60
4.6.2 <i>Affective Commitment</i>	61
4.6.3 <i>Normative Commitment</i>	62
4.6.4 <i>Continuance Commitment</i>	63
4.7 Influence of HRM Practices on Organizational Commitment	64
4.7.1 <i>Organizational Commitment</i>	64
4.7.2 <i>Affective Commitment</i>	65
4.7.3 <i>Normative Commitment</i>	65
4.7.4 <i>Continuance Commitment</i>	66
4.8 Summary	68
 <b>CHAPTER 5: DISCUSSION, RECOMMENDATION AND CONCLUSION</b>	 <b>69</b>
5.1 Introduction	69
5.2 Discussion of the Findings	69
5.2.1 Organizational Commitment and Demographic Background	70
5.2.2 HRM practices and Organizational Commitment	72
5.2.3 Factor Associated to Organizational Commitment	73
5.3 Limitation of the Study	75
5.4 Recommendation for Future Research	76
5.5 Implication	77
5.6 Conclusion	78
 <i>References</i>	 79
<i>Appendices</i>	83

---

## LIST OF TABLES

	<b>PAGE</b>
Table 2.1: Examples of Commitment Strategy Practices	21
Table 3.1: Table for Determining Sample Size from a Population	38
Table 3.2: Operational Definition and Item for Organizational Commitment	41
Table 3.3: Operational Definition and Measurement of Training and Development Dimension	43
Table 3.4: Operational Definition and Measurement of Career Development Dimension	44
Table 3.5: Operational Definition and Measurement of Salary and Benefit Dimension	45
Table 3.6: Operational Definition and Measurement of Performance Appraisal Dimension	46
Table 4.1: Background of the Respondents	51
Table 4.2: Reliability Analysis	53
Table 4.3: Descriptive Analysis of Organizational Commitment	54
Table 4.4: Descriptive Analysis of HRM Practices	55
Table 4.5: Differences in Organizational Commitment Level between Genders	56
Table 4.6: Differences in Organizational Commitment according to Age Groups	57
Table 4.7: Differences in Organizational Commitment according Academic to Qualification Groups	58
Table 4.8: Differences in Organizational Commitment according Working Experience Groups	59
Table 4.9: Differences in Organizational Commitment between Positions	60
Table 4.0: Relationship between HRM Practices and Organizational Commitment	61
Table 4.11: Relationship between HRM Practices and Affective Commitment	62
Table 4.12: Relationship between HRM Practices and Normative Commitment	64



Table 4.13: Relationship between HRM Practices and Continuance Commitment	64
Table 4.14: Influence of HRM Practices to Organizational Commitment	65
Table 4.15: Influence of HRM Practices to Affective Commitment	66
Table 4.16: Influence of HRM Practices to Normative Commitment	67
Table 4.17: Influence of HRM Practices to Continuance Commitment	68

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter discusses the background of the study and followed by the statement of the problem. Base on the discussion, this chapter develops research questions and research objectives. Significant of the study were then outlined at the end of the chapter.

#### **1.2 Background of the Study**

The concept of organizational commitment, commonly defined as “a psychological link between the employee and his or her organization that makes it less likely that the employee will voluntarily leave the organization” (Allen & Meyer, 1996, p. 252), has been a prevalent topic of study in organizational research in recent years. As this definition implies, organizational commitment is important in large part because it is an antecedent of employee turnover (Arnold & Feldman, 1982; Koch & Steers, 1978; Porter, Steers, Mowday, & Boulian, 1974). Some researchers have reported organizational commitment to better predict turnover than job satisfaction (Koch & Steers, 1978; Steers, 1977), another commonly researched job attitude. It has also been shown to be an

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

- Aguinis H., (2009) *Performance Management*, 2nd Edition. Pearson Education International. Allen, N.J. and Meyer, J.P. (1990). The measurement and Antecedent of Affective, Continuance and Normative Commitment to the Organizational, *Journal of Occupational Psychology*, 63:1-18.
- Allen, N. J., & Meyer, J. P. (1996). Affective, continuance, and normative commitment to the organization: An examination of construct validity. *Journal of Vocational Behavior*, 49,252-276
- Armstrong M, (2001) *Strategic Human Resource Management, A Guide To Action*, Kogan Page Limited, London.
- Arnold, H. J., & Feldman, D. C. (1982). A multivariate analysis of the determinants of jobturnover. *Journal of Applied Psychology*, 67, 350-360.
- Balkin, J. & Gomes-Meija. (1987) Sources and outcome of stress in organizational settings: toward the development of a structural model: The *Academy of Management Journal*, 27 (2) 330-350
- Batt, R. (2002). Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth'. *Academy of Management Journal*, 45:3, 587-597.
- Becker, B., Huselid, M., Pinckus, P. & Spratt, M. 1997. HR as a source of shareholder value: Research and recommendations. *Human Resource Management*, 36, 39-48.
- Blau, G. J. (1986). Job involvement and organizational commitment as interactive predictors of tardiness and absenteeism. *Journal of Management*, 12, 577-584.
- Borman, W. C., & Motowidlo, S. J. (1993). Expanding the criterion domain to include elements of contextual performance. In N. Schmitt and W. C. Borman (Eds.), *Personnel selection in organizations* (pp. 71-98). San Francisco: Jossey-Bass.
- Browning, V. 2006. The relationship between HRM practices and service behaviour in South African service organizations. *International Journal of Human Resource Management*, 17, 1321-1338.
- Desimone, R.L., Werner, J.M. and Harris, D.M. (2002). *Human Resource Development*. Orlando, FL.: Harcourt Inc.
- Dessler, G. (2007). *Human Resource Management*, New Delhi: Prentice Hall of India Orivate Limited.

- Dyer, L & Reeves, T. 1995. HR strategies and firm performance: What do we know and where do we need to go. *International Journal of Human Resource Management*, 6, 656-670.
- Fah, L.Y. Dr. and Hoon K.C. (2009). *Introduction to Computer Data Analysis with SPSS 16.0 for Windows*. Venton Publishing (M) Sdn. Bhd.
- Gardner, T.M., Moynihan, L.M., Park H.J., & Wright P.M., (2002). Beginning unblock the black box in HR firm performance relationship: The Impact of HR practices on employee attitudes and employees outcomes'. *Working Paper Series 01-012, Center for Advanced Human Resource Studies, Cornell University*
- Gardner, T., Moynihan, L., and Wright, P. 2003. The Influence of Human Resource Practices and Collective Affective Organizational Commitment on Aggregate Voluntary Turnover. *CAHRS Working Paper*, Cornell University.
- Gellatly, I. R. (1995). Individual and group determinants of employee absenteeism: Test of a causal model. *Journal of Organizational Behavior*, 16, 469-485.
- Greenhaus, J. H. (1971). An investigation of the role of career salience in vocational behaviour. *Journal of Vocational Behaviour*, 1, 209-216.
- Gregersen, H. B. (1993). Multiple commitments at work and extra-role behaviors during three stages of organizational tenure. *Journal of Business Research*, 26, 31-47.
- Hackman, J. R., & Oldham, G. R. (1976). Motivation through the design of work: Test of a theory. *Organizational Behaviour and Human Performance*, 16, 250-279.
- Halachmi A, 2005. Performance measurement is only one way of managing performance. *International Journal of Productivity and Performance Management*, 54, 502-516.
- Hartline, M.D., Maxham, J.G. III and McKee, D.O. (2000). Corridors of influence in the dissemination of customer-oriented strategy to customer contact service employees. *Journal of Marketing*, Vol. 64, pp. 35-50.
- Jaramillo, F., Mulki, J. P. & Marshall, G. W. (2005). A meta-analysis of the relationship between organizational commitment and salesperson job performance: 25 years of research. *Journal of Business Research*, 58, 705-714
- Koch, J. T., & Steers, R. M. (1978). Job attachment, satisfaction, and turnover among public sector employees. *Journal of Vocational Behavior*, 12, 119-128
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30, 607-610.

- Lok, P., Wang, P. Z., Westwood B., Crawford, J., (2005) Antecedents of job satisfaction and organizational commitment and the mediating role of organizational subculture, *Working Paper*, <http://www.unisa.edu.au/igsb/docs/WP-Lok2.pdf>.
- Marchington, M. and Wilkinson, A. (2005). *Human Resource Management at Work* Published by the CIPD.
- Meyer, J. P., Allen, N. J., & Smith, C. A. (1993). Commitment to organizations and occupations: Extension and Extension and Test of a Three-component Conceptualization. *Journal of Applied Psychology*, Vol. 78 No. 4, pp. 538.
- Noe, R.A., Hollenbeck, J.R., Gerhart, B., Wright, P.M. (2007). *Human Resource Management: Gaining a Competitive Advantage*: USA, McGraw-Hill.
- Organ, D. W., & Ryan, K. (1995). A meta-analytic review of attitudinal and dispositional predictors of organizational citizenship behavior. *Personnel Psychology*, 48, 775-802.
- Paul, A. K. & Anantharaman, R. N. 2004. Influence of HRM practices on organizational commitment: A study among software professionals in India. *Human Resource Development Quarterly*, 15, 77-88.
- Payne, S. C. and Huffman, A. H. 2005. A longitudinal examination of the influence of mentoring on organizational commitment and turnover. *Academy of Management Journal*, 48, 158-168.
- Porter, L. W., Steers, R. M., Mowday, R. T., & Boulian, P. V. (1974). Organizational commitment, job satisfaction, and turnover among psychiatric technicians. *Journal of Applied Psychology*, 59, 603-609.
- Randall, D. M. (1990). The consequences of organizational commitment: Methodological investigation. *Journal of Organizational Behavior*, 11, 351-378.
- Sajid Bashir and Mohammad Ismail Ramay (2008), Determinants of Organizational Commitment, A Study of Information Technology Professionals in Pakistan, Mohammad Ali Jinnah University, Islamabad, *Institute of Behavioral and Applied Management*.
- Saks, A. M. (1995). Longitudinal field investigation of the moderating and mediating effects of self-efficacy on the relationship between training and newcomer adjustment. *Journal of Applied Psychology*, 80, 211-225.
- Salaman, G., Cameron S., Hamblin, H. Iles, P. Mabey, C. Thompson, K. (1992), *Human Resource Strategies*, The Open University, SAGE Publication Ltd.

- Schuler, R.S., Jackson, S.E., (1987) Linking competitive strategies with human resource management practices. *Academy of Management Executive* 1 (3), 207–219.
- Sekaran, Uma (2007). *Research Methods for Business - A Skill Building Approach*, 5th Edition, Wiley
- Sohel Ahmad and Schroeder, R.G. (2003). The impact of human resource management practices on operational performance: recognizing country and industry differences. *Journal of Operations Management* 21 (2003) 19-43.
- Walton R.E. (1985). From Control to Commitment. *Harvard Business Review*, 63: 73-84
- Wood, S. (1999). Human Resource Management and Performance: *International Journal of Management Review*, 1 (4), 367-413.
- Wright, P. and Haggerty, J.J. (2005), Missing variables in theories of strategic human resource management: time, cause, and individuals, *Management Review: The International Review of Management Studies*, Vol. 16, pp. 164-73.
- Wright, P. M., and Kehoe, R. R. (2007). Human Resource Practices and Organizational Commitment: A Deeper Examination, *Department of Human Resource Studies Center for Advanced Human Resource Studies (CAHRS) School of ILR Cornell University* <http://www.ilr.cornell.edu/cahrs>
- Yu, B.B., & Egri, C.P. (2005). Human resource management practices and organizational commitment: A comparison of Chinese employees in a state-owned enterprise and a joint venture. *Asia Pacific Journal of Human Resources*, 43, 332-360.
- Zikmund, W. G. (2009). *Business Research Methods* (8th ed.). MA: McGraw-Hill Irwin, Boston.